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Mike Leavitt and Dan Liljenquist team up on Medicaid reform

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For each dollar the state of Utah spends in 2011, 18 cents will go toward funding Medicaid.

Twice as much as what it was 13 years ago, that figure is projected to double yet again within the next seven or eight years. Critics say every additional penny that goes to an uncapped entitlement program like Medicaid means there's one less cent available to spend in discretionary areas like education.

Such statistics catalyze the belief held by Sen. Dan Liljenquist, R.-Bountiful, that Medicaid reform is a nonnegotiable necessity. Liljenquist is sponsoring SB180, which seeks to overhaul the way Medicaid does business in the Beehive State by switching it from a fee-for-service paradigm to more of a managed-care operation.

Even though the federal government pays for most of Medicaid, each state administers the system independently. It is an entitlement program, meaning that all eligible applicants must be accepted and there is no cap on the number of participants. In Utah, Medicaid provides medical care primarily to children and individuals who are disabled or elderly; childless adults without a disability are ineligible.

Medicaid is countercyclical relative to the economy, meaning that more people use the program during an economic downturn. Although Medicaid expenditures have risen over the past several years, increased costs have been offset by federal funds from the American Recovery and Reinvestment Act. Beginning in fiscal 2012, however, ARRA funds will no longer be available to help subsidize Medicaid. That, coupled with the fact that federal health care reform will significantly increase the number of people eligible for Medicaid benefits in 2014, is pressuring state legislatures across the country to somehow ameliorate the impending increased burden of administering Medicaid.

Presently, Medicaid recipients can go to any healthcare provider that accepts Medicaid — including expensive visits to the emergency room for ailments better suited for a primary-care setting — and the government picks up the entire tab. SB180 seeks to manage Medicaid recipients using Accountable Care Organizations (ACO), something the nonprofit advocacy group Utah Health Policy Project describes "as a bundled payment system based on a per member/per month spending cap."

The idea is that by paying healthcare providers per patient instead of on a fee-for-service basis, providers will be incentivized to provide care with greater efficiency and more frequent implementation of preventative medicine.

SB180 passed the Senate by unanimous vote on Feb. 23 and is expected to pass through the House as well before the end of the legislative session.

"Inertia's a hard thing to overcome," Liljenquist said. "What we are trying to do is not just to claw everything back, because that would be like trying to hold back an avalanche. But we can direct it and divert it. We can change our course, and that's what we are doing."

"Ten or 20 years from now, we hope we're in a different place. We have to be in a different place, because (Medicaid) will sweep us under (if we aren't)."

Before SB180 can be implemented into law, it will require a temporary federal waiver exempting Utah's administration of the highly regulated Medicaid program. To that end, Liljenquist recently enlisted the expertise of former Gov. Mike Leavitt.

Liljenquist met with the former U.S. Secretary of Health and Human Services on Feb. 18-19 at Leavitt's home in southern Utah. Their discussions touched significantly on the federal Utah will eventually need in

order to enact SB180 — precisely the same kind of federal waiver Leavitt bore the responsibility of signing while serving as HHS secretary from 2005-09. The tricky part of the waiver application process will be convincing the federal government to allow Utah to implement a cutting-edge innovation in the form of ACOs for Medicaid patients.

"These waivers are not easy, particularly when they break new ground ideologically," Leavitt said. "They're not easy when there's a different ideology than is being applied (by) the current administration. ... I've seen waivers done in three months; I've seen them flounder for three years."

Judi Hilman, executive director of UHPP, is "cautiously optimistic" about SB180.

"Right now providers are paid more if they offer more tests and more procedures whether they're medically necessary or not," Hilman said. "So if we can design a system for minimizing that kind of waste, I think that patients for their part will be better off and that they will also get higher quality care and better support to manage their chronic conditions."

Utah's waiver request is due by July. State lawmakers are already in discussions with the federal Center for Medicare and Medicaid Services about the timing and scope of Utah's efforts to reform Medicaid.

"We've got some good allies in Secretary Leavitt and others who are helping us make the right connections into that administration," Liljenquist said. "We are optimistic — we think our (Medicaid) model is a model that's the big idea in health care right now."

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